the Committee of the House of Commons, was a double action, which required each department of the bank to take measures for self-protection and made the bank's action on the money market '4 as violent on a drain of three millions, as would have been required on the old system for one of six." [1] The banking department might be completely wrecked by the exhaustion of its note reserve, without the power it formerly possessed to draw upon the whole resources of the bank for help.

It was fortunate in many respects that the Act of 1844 failed to operate to contract the domestic circulation as was expected. Such an event would only have added to the intensity of the panic and made the suspension of the act and the issue of additional notes more imperative. Such contraction and such absence of expansion as actually occurred invited a run upon the bank for gold and notes which would not have occurred under former conditions. Bank of England notes were a legal tender except at the bank and were largely employed in the reserves of the country banks. The absolute limit on the supply had the double effect of frightening the public into withdrawing their deposits from the banks for hoarding before the supply was exhausted and of driving the banks to withdraw their deposits from the Bank of England for hoarding against this demand by the public. If they could not get notes under such circumstances, they wrould take gold, and the reduction of the note circulation in the meantime would only have increased the pressure. The demand for notes, so long as their convertibility was unquestioned, was, of course, immensely increased by the destruction of credit. Hoarding operated to reduce the visible quantity of notes at the very moment that the disappearance of commercial paper as a medium of circulation increased the necessity for them. The terrible pressure thus applied by the Act of 1844 to tne commercial community compelled the sale of goods and securities in foreign markets at any sacrifice which would bring the ready currency withheld by

[1] *Political Economy,* B. III., Ch. xxiv., Sec. *4.*